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BeauCARE, Inc.
DERIDDER, LOUISIANA

FINANCIAL STATEMENTS
December 31, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12/31/08

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John A. Windham, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
BeauCARE, Inc.
DeRidder, Louisiana

I was engaged to audit the accompanying statement of financial position of BeauCARE, Inc. (a nonprofit organization) as of December 31, 2007, and the related statement of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management.

Documentation for substantiation of financial statements was missing and or inadequate. Receipt books were furnished that had an entire month of charges for services missing with no explanation as to why they had been removed. No documentation was available for swimming pool entry fees or concession stand sales. The missing documentation was sufficient to limit the scope of my work on the financial statements therefore I am unable to express and I do not express an opinion on these financial statements.

In accordance with Government Auditing Standards, I have also issued my report dated, October 24, 2008, on my consideration of BeauCARE, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit I was engaged to perform.

I was engaged to conduct an audit for the purpose of forming opinions on the financial statements of BeauCARE, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information would have been subjected to auditing procedures that would have been applied in an audit of the financial statements. Due to the scope limitation described in paragraph two above, I am unable to express and I do not express an opinion on these financial statements.



DeRidder, Louisiana
October 24, 2008

FINANCIAL STATEMENTS

Statement of Financial Position
December 31, 2007

ASSETS

Current Assets

Cash and cash equivalents	\$ 55,818
Receivables:	
Accounts	6,125
Grants	68,094
Prepaid insurance	34,018
Total current assets	<u>\$ 164,055</u>

Noncurrent Assets

Capital assets, net	<u>\$ 205,714</u>
Total assets	<u><u>\$ 369,769</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 30,991
Salaries payable	39,203
Payroll taxes payable	511
Total current liabilities	<u>\$ 70,705</u>

Net Assets:

Unrestricted	<u>\$ 299,064</u>
Total liabilities and net assets	<u><u>\$ 369,769</u></u>

The accompanying notes are an integral part of this statement.

Statement of Activities
For the Year Ended December 31, 2007

SUPPORT AND REVENUEUNRESTRICTED

SUPPORT

Grants

Government:

Federal

Department of Health and Human Services:

Child and Adult Care Food Program

\$ 14,512

Education Training Council

77,996

Headstart Program

44,438

After School for All

176,412

Teen Pregnancy Prevention

235,765

State

Department of Social Services:

Office of Community Services-Children's Trust Fund

27,502

Department of Corrections:

Office of Youth Development

9,994

Total government grants

\$ 586,619

Private:

United Way

\$ 113,830

Total grants

\$ 700,449

Cash contributions

\$ 4,164

Inkind donations

5,905

Fundraising

50,627

Donated assets

65,000

Total support

\$ 125,696

REVENUE

Fees for services

\$ 79,992

Interest

2,253

Concession sales

9,261

Payroll tax fund

6,759

Miscellaneous

1,196

Total revenue

\$ 99,461

Total support and revenue

\$ 925,606

The accompanying notes are an integral part of this statement.

Statement of Activities
For the Year Ended December 31, 2007

EXPENSES

Program services:	
Recreational and educational programs	<u>\$ 861,114</u>
Excess (deficiency) of revenues over expenses	\$ 64,492
Special item:	
Repayment of grant funds	<u>\$ (99,247)</u>
Change in net assets	\$ (34,755)
Net assets, beginning of year	<u>333,819</u>
Net assets, end of year	<u>\$ 299,064</u>

The accompanying notes are an integral part of this statement.

Statement of Functional Expenses
For the Year Ended December 31, 2007

	Program Services
Salaries and related benefits	\$ 419,218
Payroll taxes	36,794
Total salaries and related expenses	<u>\$ 456,012</u>
Program supplies	\$ 71,931
Other supplies	51,564
Telephone	8,407
Dues/licenses/permits	6,569
Travel and conferences	14,962
Meals	13,158
Postage	2,203
Equipment rental and maintenance	4,708
Interest expense	626
Training and certification fees	10,481
Educational expense	3,000
Insurance	37,178
Repairs and maintenance	16,191
Bank charges	110
Professional fees	9,747
Contract labor	25,360
Printing and publications	4,251
Miscellaneous	1,349
Occupancy	14,738
Specific assistance	956
Fundraising expense	13,080
Payments to affiliated organizations	72,205
Inkind expenses	5,905
Total expenses before depreciation	<u>\$ 844,691</u>
Depreciation	
Purchased assets	<u>\$ 16,423</u>
Total expenses	<u>\$ 861,114</u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
For the Year Ended December 31, 2007

Cash flows from operating and investing activities:	
Cash received for services provided	\$ 79,992
Cash received for support and other revenues	855,909
Cash received from investments	2,253
Cash payments for program activities	(500,573)
Cash payments to employees for services	(445,851)
Net cash used by operating activities	<u>\$ (8,270)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	<u>\$ (104,937)</u>
Net cash used by capital and related financing activities	<u>\$ (104,937)</u>
Net increase (decrease) in cash and cash investments	\$ (113,207)
Cash and Cash investments, Beginning of year	<u>169,025</u>
Cash and Cash investments, End of year	<u><u>\$ 55,818</u></u>
(Continued)	

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
For the Year Ended December 31, 2007

Reconciliation of net loss from operations
to net cash used by operating activities:

Net loss from operations	\$ (34,755)
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Adjustments to reconcile net loss from
operations to net cash used by operating activities:

Depreciation	\$ 16,423
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Change in assets and liabilities:

Decrease in accounts receivable	12,548
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Increase in prepaid expenses	(18,412)
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Increase in account payable	5,765
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Decrease in payroll tax payable	(2,003)
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Increase in salaries payable	12,164
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Net cash used by operating activities	<u>\$ (8,270)</u>
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(Concluded)

The accompanying notes are an integral part of this statement.

BeauCARE, Inc.

Notes to the Financial Statements
As of and for the Year Ended December 31, 2007

INTRODUCTION

BeauCARE, Inc. is a Louisiana non-profit corporation. This corporation is organized and it shall be operated exclusively for charitable, religious, and educational purposes, within the meaning of Section 501 (c) (3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, including for purposes, to purchase, acquire, hold, use, manage, alienate or encumber property of any kind, necessary and proper to provide opportunities in personal growth and development through recreational and educational programs for residents of all ages; and the making of distributions to organizations that qualify as exempt organizations under section 501 (c) (3) of the Internal Revenue Code or the corresponding section of any future federal tax code.

The basic programs of BeauCARE, Inc. include recreational programs (i.e. Aqua Aerobics, Flag Football, Incrediball, Youth Recreation Center, Summer Swimming Pool, After School homework program, Teen Pregnancy Prevention Programs, Headstart Program, summer mini-camps and educational programs) for residents of all ages.

The board of directors is made up of eight voting board members and seven advisory board members. None of the board members are compensated for their service.

BeauCARE, Inc. is located in Beauregard Parish in southwestern Louisiana. BeauCARE, Inc. serves the residents of Beauregard Parish and the surrounding area. BeauCARE, Inc. employs approximately twelve clerical employees and five activity directors.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described to enhance the usefulness of the financial statements to the reader. The financial statements of BeauCARE, Inc. have been prepared on the accrual basis; therefore certain revenues and the related assets are recognized when earned rather than when received and certain expenses are recognized when the obligation is incurred rather than when paid. These policies have been consistently applied in the preparation of the financial statements. The corporation has no capital stock.

A. Basis of Accounting

The financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, which requires the organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The organization has no permanently restricted net assets. In addition, the organization is required to present a statement of cash flows.

B. Income Taxes

The organization is qualified as an exempt organization under Section 501 (c) (3) of the Internal Revenue Code and is not subject to federal income tax. In addition, the organization has been determined by the Internal Revenue Service not to be a private foundation within Section 509 (a) of the Code.

C. Support and Revenue

All contributions and revenues received are considered to be available for unrestricted use unless specifically restricted by the donor.

BeauCARE, Inc.

Notes to the Financial Statements (Continued)

D. Fixed Assets

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

E. Depreciation

All capital assets are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	20 years
Improvements	5-20 years
Machinery and equipment	5 years
Furniture and fixtures	5-10 years
Vehicles	5 years

Depreciation expense for the year ended December 31, 2007 amounted to \$15,881.

F. Cash and Cash Equivalents

The organization considers all short-term debt investments purchased with maturity of three months or less to be cash equivalents. Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts.

G. Long-Term Obligations

In the fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

H. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of BeauCARE, Inc., which are either unusual in nature or infrequent in occurrence.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, and expenses during the reporting period. Actual results could differ from those estimates.

J. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

BeauCARE, Inc.

Notes to the Financial Statements (Continued)

K. Concentration of Risk

BeauCARE, Inc.'s primary sources of support are from grants awarded by the state. Management is always seeking funding for the upcoming years through renewals of current grants as well as by applying for new grants; however, in the event the Organization is unable to secure additional funding, the financial position of the Organization could be significantly impacted.

2. CASH AND CASH EQUIVALENTS

At December 31, 2007, BeauCARE, Inc. has cash and cash equivalents (book balances) totaling \$55,818 as follows:

Demand deposits	\$	35,031
Savings account		20,787
Total	\$	55,818

At December 31, 2007, BeauCARE, Inc. has \$110,655 in deposits (collected bank balances). These deposits are secured from risk by \$110,655 of federal deposit insurance.

3. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2007 for BeauCARE, Inc. is as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
Capital assets being depreciated				
Buildings	\$ 57,262	\$ -	\$ -	\$ 57,262
Improvements other than buildings	29,613	-	-	29,613
Machinery and equipment	1,082	-	-	1,082
Furniture and fixtures	71,863	3,905	-	75,768
Vehicles	31,885	101,031	-	132,916
Total capital assets being depreciated	\$ 191,705	\$ 104,936	\$ -	\$ 296,641
Less accumulated depreciation for:				
Buildings	\$ 11,169	\$ 2,863	\$ -	\$ 14,032
Improvements other than buildings	9,432	1,662	-	11,094
Machinery and equipment	1,082	-	-	1,082
Furniture and fixtures	33,158	6,576	-	39,734
Vehicles	19,662	5,323	-	24,985
Total accumulated depreciation	\$ 74,503	\$ 16,424	\$ -	\$ 90,927
Total capital assets being depreciated, net	\$ 117,202	\$ 88,512	\$ -	\$ 205,714

4. DONATED FACILITIES, MATERIALS AND SERVICES

Donated materials, equipment, and use of facilities (if any) are reflected as contributions or fund raising support in the accompanying statements at their estimated values at the date of receipt. Donated services (if any) are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the organization. Volunteers also provided services

BeauCARE, Inc.

Notes to the Financial Statements (Continued)

throughout the year that are not recognized as contributions in the financial statements since the criteria for SFAS No. 116 are not met.

5. ECONOMIC DEPENDENCY

BeauCare, Inc. receives a substantial portion of its total support from the Department of Health and Human Services, Teen Pregnancy Prevention Grant, After School for All Program, Child and Adult Care Food Program, Headstart Program and the Education Training Council Resource Center. During the period ended December 31, 2007, BeauCARE, Inc. received \$549,123 in grant support from these departments, which represents 64% of total support and revenue.

6. FUNDING

BeauCARE, Inc. receives funds from the Department of Social Services, Department of Corrections, and United Way. The money is used to pay salaries and related expenses for BeauCARE, Inc. and affiliated organizations. The funds received for the year ended December 31, 2007, were as follows:

Department of Social Services	\$	27,502
Department of Corrections		9,994
United Way		113,830
Total	\$	151,326

7. RECEIVABLES

The following is a summary of receivables for December 31, 2007:

Office of Community Services	\$	1,439
Office of Youth Development		1,401
Education Training Council Resource Center		16,224
Headstart Program		18,373
Teen Pregnancy Prevention Program		15,140
After School For All Program		9,400
Child and Adult Care Food Program		6,117
Accounts		6,125
Total	\$	74,219

8. ACCOUNTS AND OTHER PAYABLES

The following is a summary of payables at December 31, 2007:

Class of Payable

Accounts	\$	30,991
Salaries		39,203
Payroll taxes		511
Total	\$	70,705

BeauCARE, Inc.

Notes to the Financial Statements (Concluded)

9. PAYMENTS TO AFFILIATED ORGANIZATIONS

BeauCARE, Inc. receives funds from the Department of Education, which it in turn pays to its affiliated organizations. These organizations and the amounts provided are listed below:

Cameron Community Center	\$	16,080
Family and Youth Counseling		16,366
Foreman Reynaud Community Center		17,559
City of Leesville		17,400
Boys and Girls Village		4,800
Total	\$	72,205

10. REPAYMENT OF GRANT FUNDS

BeauCare, Inc. had requested and received federal grant revenue from TANF (Temporary Assistance for Needy Families) passed through the Louisiana Departments of Social Services and Education in the amount of \$806,965 as of December 31, 2006. Subsequent to the receipt of these funds, it was discovered that these funds were in excess of the amount that would be allowable under the current programs. The Louisiana Legislative Auditor then sent an audit team to BeauCare, Inc. to determine the amount of grant funds that should be repaid. As of the date of the prior year audit report the Louisiana Legislative Auditor had not determined the amount of these funds that must be repaid. During the current year it was determined that \$99,247 of these grant funds needed to be repaid to the Louisiana Department of Social Services and Education. BeauCARE, Inc. repaid these funds and the amount is shown as a special item on Statement B.

11. NET ASSETS

As required by SFAS No. 117, net assets have been reclassified into three categories: unrestricted, temporarily restricted, and restricted. The reclassification is as follows:

Unrestricted	\$	234,607
Total Net Assets	\$	234,607

12. LITIGATION AND CLAIMS

At December 31, 2007, BeauCARE, Inc., had no litigation or claims pending.

OTHER SUPPLEMENTAL SCHEDULES

BeauCARE, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2007

Schedule I

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
United States Department of Health and Human Services		
Passed through the Louisiana Department of Social Services		
Temporary Assistance for Needy Families		
Teen Pregnancy Prevention Services	93.558	\$ 235,765
Passed through the Louisiana Department of Education		
Temporary Assistance for Needy Families		
After School for All Program	93.558	176,412
Passed through the Louisiana Office of Community Services		
Family Resource Center	93.556	77,996
Headstart Program	93.600	44,438
Total United States Department of Health and Human Services		\$ 534,611
United States Department of Agriculture		
Passed through the Louisiana Department of Education		
Child and Adult Care Food Program	10.558	\$ 14,512
Total expenditures of federal awards		\$ 549,123

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of BeauCARE, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

OTHER REPORTS

Schedule of Prior Year Audit Findings
Year Ended December 31, 2007

FINDINGS – FINANCIAL STATEMENT AUDIT

Significant Deficiency

2006-1

Overstatement of the salary expense account in the financial statements.

When the salary expense account was compared to the federal employment tax returns, it was noted that the booked salary expense exceeded the employment reports by approximately seven thousand dollars. Individuals entering salary expense into the financial statements are no longer employed and no explanation could be found for the discrepancy.

Date of initial occurrence – December 31, 2006

Corrective action taken – Yes

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARDS PROGRAM AUDIT

Material Weakness

2006-2

Federal grant revenue requested and received in excess of program allowances.

BeauCARE, Inc. requested and received federal grant revenues from TANF (Temporary Assistance for Needy Families) and passed through the Louisiana State Department of Social Services and Education in the amount of \$806,965. Subsequent to the receipt of these funds it was discovered that these funds were in excess of the amount allowable under the current program. BeauCARE, Inc. is currently undergoing an audit by the Louisiana Legislative Auditor to determine the amount of these grant funds that must be repaid to the grantor. It appears that the amount of the repayment will be material to financial statements. As of this audit report date the amount to be repaid has not been determined but has been estimated to be approximately \$103,784.

Date of initial occurrence – December 31, 2006

Corrective action taken – Yes

Material Noncompliance

2006-3

Noncompliance with federal grant agreements

Federal grant funds were requested in amounts that exceeded the allowable reimbursement under the current programs. At this time the Louisiana Legislative Auditor's office is conducting an audit to determine how much of the federal grant revenue received must be repaid.

Date of initial occurrence – December 31, 2006

Corrective action taken - Yes

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
BeauCARE, Inc.
DeRidder, Louisiana

I was engaged to audit the financial statements of BeauCARE, Inc., (a nonprofit organization), as of and for the year ended December 31, 2007, and have issued my report thereon dated October 24, 2008. I did not express an opinion on the financial statements of BeauCARE, Inc. because of a scope limitation due to missing and or inadequate documentation for substantiation of financial statement amounts. I would have conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing the engagement, I would have considered BeauCARE, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BeauCARE, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of BeauCARE, Inc.'s internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects BeauCARE, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of BeauCARE, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by BeauCARE, Inc.'s internal control. I consider the deficiencies described in the accompanying schedule of findings and questioned cost to be significant deficiencies in internal control over financial reporting. Audit Finding No.'s 2007-1, 2007-2, 2007-3, 2007-4, 2007-5, 2007-6, 2007-7, and 2007-8.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by BeauCARE, Inc.'s internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the accompanying schedule of findings and questioned cost I considered Audit Finding No.'s 2007-1, 2007-2, 2007-4, 2007-6, 2007-7, and 2007-8 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BeauCARE, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the engagement and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned cost as Audit Findings No.'s 2007-9, 2007-10, 2007-11, and 2007-12.

BeauCARE, Inc.'s response to the findings identified is described in the accompanying schedule of findings and questioned costs. I did not audit BeauCARE, Inc.'s response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, BeauCARE, Inc.'s management, others within the organization and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties, although under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



DeRidder, Louisiana
October 24, 2008

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
BeauCARE, Inc.
DeRidder, Louisiana

Compliance

I was engaged to audit the compliance of BeauCARE, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. BeauCARE, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of BeauCARE, Inc.'s management. My responsibility would have been to express an opinion on BeauCARE, Inc.'s compliance based on the audit I was engaged to complete.

I was engaged to audit compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about BeauCARE, Inc.'s compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances.

As described in Audit Finding No.'s 2007-15 and 2007-16 in the accompanying schedule of findings and questioned costs, BeauCARE, Inc. did not comply with compliance requirements that are applicable to its United States Department of Health and Human Services, Temporary Assistance for Needy Families, Teen Pregnancy Prevention Services and After School for All Program. Compliance with such requirements is necessary, in my opinion, for BeauCARE, Inc. to comply with requirements applicable to that program.

Internal Control Over Compliance

The management of BeauCARE, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing the engagement, I would have considered BeauCARE, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of BeauCARE, Inc.'s internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies and others that I consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Audit Finding No.'s 2007-13 and 2007-14 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, which results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, I considered Audit Finding No. 2007-14 to be a material weakness.

BeauCARE, Inc.'s response to the findings identified in my audit as described in the accompanying schedule of findings and questioned costs. I did not audit BeauCARE, Inc.'s response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although under Louisiana Revised Statute 24:513 this report is distributed by the Legislative Auditor as a public document.



DeRidder, Louisiana
October 24, 2008

BeauCARE, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2007

Schedule 3

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses a disclaimer of opinion on the financial statements of BeauCARE, Inc.
2. Eight control deficiencies disclosed during the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Eight of the conditions are significant deficiencies while six are material weaknesses.
3. *Four instances of noncompliance material to the financial statements of BeauCARE, Inc. was disclosed during the audit.*
4. Two reportable conditions in internal control, and two noncompliance issues over major federal award programs disclosed during the audit are reported in the Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133. One condition is reported as a material weakness.
5. The auditor's report on compliance for the major federal award programs for BeauCARE, Inc. express a *disclaimer of opinion on the major federal program.*
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major program included: United State Department of Health and Human Services, Temporary Assistance for Needy Families, Teen Pregnancy Prevention Services, passed through the Louisiana Department of Social Services and Temporary Assistance for Needy Families, After School for All Program passed through the Louisiana Department of Education, CFDA Nos. 93.558.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. BeauCARE, Inc. was determined to be a high-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

Significant Deficiencies

Audit Finding 2007-1

Year end bank statement not reconciled.

When the year end bank reconciliation was examined it was out of balance by over \$100,000. Upon further inspection it appeared that several checks dated in the year 2007 had been changed to 2008 dates. This had the effect of removing them from the outstanding check list and overstating the cash balance by over \$100,000. I had management change the dates back to the correct 2007 dates and the bank reconciliation and cash on the financial statements reconciled accurately.

Recommendation:

I recommend that passwords be updated and issued to those that have a need to access bank account reconciliation information in order to keep unauthorized changes from being made to the accounts. Also bank reconciliations should be monitored, checked for accuracy, and compared to the financial statements by someone other than the person preparing the reconciliation on a monthly basis.

BeauCARE, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2007

Schedule 3

Audit Finding 2007-2

GAAP basis financial statements not presented timely to auditor.

GAAP (Generally Accepted Accounting Principles) basis financial statements were not presented timely to the auditor. The financial statements that were presented did not contain the prior year audit adjustments and had not been kept on the accrual basis of accounting. These statements had been updated for the prior year audit adjustments by an independent CPA in prior months but the updates had somehow been deleted before year end.

Recommendation:

I recommended that the financial statements be kept on the accrual basis of accounting and that an independent CPA review these statements at year end. Access to these financial statements and their preparation should be limited to those that prepare and work on these statements. Passwords should be updated and limited only to personnel that are assigned to financial statement preparation.

Audit Finding 2007-3

Receipts missing out of receipt books.

Over one month's receipts for program service revenue had been torn out of receipt books and were missing. It is believed that an employee tore these receipts out and removed them from the premises. No other documentation exists to substantiate program service revenue for this time period.

Recommendation:

I recommend that controls be implemented to protect records of original entry. Safeguards should be in place to account for and substantiate all receipts used for program service revenue. Receipt books should be checked for accuracy of recording program service revenue by an employee independent of entry into these books. The records should be kept in a secure place in the office.

Audit Finding 2007-4

Financial documents retention.

Financial documents and records requested during the audit were not readily available and some were never located. Other documents presented to the auditors were incomplete and not in good order.

Recommendation:

I recommend that financial documents be retained by the finance department in a secure location. All documentation supporting an expense should be attached to the check voucher and kept in check number sequence. These documents should be reviewed and filed by an individual separated from the one that prepared the document for payment.

Audit Finding 2007-5

Overstated swim fee revenue and expenses.

Swim fees that had not been collected or paid had been recorded in the financial statements as an expense and corresponding revenue with no explanation of why this was done. Salaries of swim instructors were paid by BeauCARE, Inc. and already had been recorded as salary expense, therefore these expenses were shown twice in the financial statements.

BeauCARE, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2007

Schedule 3

Recommendation:

I recommend that swim fees that have not been collected or paid not be recorded as revenues and expenses in the financial statements. If a reason to record these exist it should be well documented and be known by the preparer of the financial statements.

Audit Finding 2007-6

Lack of internal control.

In many cases internal controls broke down or were not followed as they had been intended. Policy and procedure manuals spell out internal controls but were not adhered to properly. Employees stated that their job descriptions containing controls were changed often and that they did not know what job descriptions to follow. Job functions for management were not rotated when vacations were taken. Management had access to all passwords allowing them into all accounting and administrative programs. The aquatics program had one individual collecting entry fees and concession stand sales then making these deposits to the bank.

Recommendation:

I recommend that the policy and procedures manual be reviewed and updated as necessary to place proper internal controls into the organization. Job descriptions for all employees should be written and furnished to each employee. Employees should be required to take vacations and another employee should handle their job functions while they are gone. Passwords should be updated with access only allowed to computer programs by the individuals responsible for their preparation. The aquatics program needs controls over cash put into place. These should be implemented and monitored by management.

Audit Finding 2007-7

Fixed asset listing not maintained.

BeauCARE, Inc. does not maintain a listing of its fixed assets. Fixed assets are not periodically inventoried and checked against existing fixed asset listings. Fixed assets purchased are not assigned to department head for control purposes. These problems lead to possible misappropriations of these assets.

Recommendation:

I recommend that an inventory be taken of all fixed assets and a listing of these assets be prepared. Fixed assets should be assigned to the department heads responsible for them and annually accounted for. Fixed assets should be tagged and logged into the fixed asset listing by tag number.

Audit Finding 2007-8

Purchase orders not being used.

Purchase orders were not used on all purchases requiring purchase orders. The board of directors addressed this issue prior to year end and purchase orders were still not used on all purchases. In some cases dates on purchase orders were dated after the invoice date or date of purchase.

Recommendation:

Purchase order system requirements are spelled out in the policy and procedures manual. Purchase orders should be used on all purchases that require them. The finance department should see that all invoices that require purchase orders have them and that purchase orders are requested and dated prior to purchasing items.

BeauCARE, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2007

Schedule 3

FINDINGS FINANCIAL STATEMENT AUDIT

Compliance and other matters

Audit Finding No. 2007-9

Noncompliance with Louisiana Audit Law.

BeauCARE, Inc. is not in compliance with the Louisiana Audit Law (LRS 24:513), which requires quasi political subdivisions to submit annual financial reports to the Office of Louisiana Legislative Auditor no later than six months after fiscal year end. BeauCARE, Inc. has not complied with this law for the fiscal year ended December 31, 2007.

Recommendation:

I recommend that BeauCARE, Inc. stay in compliance with Louisiana Audit Law (LRS 24:513) by having financial statements accurately prepared and submitting these statements to the engaged auditor timely so that the annual audit can be completed and submitted to the Legislative Auditor by the statutory deadline.

Audit Finding 2007-10

Noncompliance with Louisiana Bid Law.

BeauCARE, Inc. is not in compliance with the Louisiana Bid Law (LRS 38:2212), which requires that purchases of vehicles in excess of \$20,000 be advertised and let by contract to the lowest bidder according to specifications. The district purchased a van in the amount of \$30,185. The van was not let out for bid.

Recommendation:

I recommend that BeauCARE, Inc. adhere to the Louisiana Bid Law for all purchases and that any purchase of vehicles over \$20,000 be let by contract to the lowest bidder according to specifications.

Audit Finding 2007-11

Violation of employment policy.

The personnel manual states that no person shall be considered for employment when a member of his immediate family would exercise supervisory authority over him or her. The executive director's son and daughter were both employees of BeauCARE, Inc. I feel that while the son and daughter technically may have an immediate supervisor that is not the executive director, the executive director is still in the capacity to exercise authority over the immediate family members.

Recommendation:

I recommend that the personnel manual be adhered to and immediate family members as defined in the manual not be hired when authority over their position is exercised by an immediate family member.

Audit Finding 2007-12

IRS 1099's not issued for Independent Contractors.

IRS regulations state that any services rendered by an independent contractor (contract labor) in which the independent contractor is paid \$600 or more, the independent contractor be given an IRS Form 1099 for the amount and this amount also be reported to the IRS. BeauCARE, Inc. did not furnish any independent contractors that they hired during the year the required IRS Form 1099.

BeauCARE, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2007

Schedule 3

Recommendation:

I recommend that IRS regulations be adhered to and any independent contractor that is paid \$600 or more during the calendar year be furnished an IRS Form 1099 and this form also be furnished to the IRS.

FINDINGS – MAJOR FEDERAL AWARDS PROGRAM

Significant deficiencies

Audit Findings No. 2007-13

Time sheets not accurate or approved.

It was noted that timesheets used in tracking employees time spent on various federal programs did not differentiate the employees time between the programs that the employees were involved with. Some of the time sheets reviewed did not have management's approval recorded on the time sheets.

Recommendation:

I recommend using separate time sheets for the different federal programs that an employee's time is allocated to, or some other equitable method of dividing an employee's time between different federal programs. Payroll should be approved monthly by management and noted on the face of time sheets that this approval has been granted.

Audit Finding No. 2007-14

Missing supporting documentation and lack of document approval.

In some cases supporting documentation was never furnished to the auditor as requested. Other supporting documents did not have approval of management noted on the document.

Recommendation:

I recommend supporting documents used to verify federal expenses contain adequate explanation as to which federal program the expense has been applied. Internal controls should be followed in document retention so that all documents can be accounted for on a timely basis. All supporting documentation should contain visible approval of the expense.

Noncompliance with Program Requirements

Audit Finding No. 2007-15

Sign in/out sheets not matching claim forms or accurately dividing participants between programs.

Contact hours recorded on request for reimbursement forms submitted for federal fund reimbursements did not match sign in/out sheets used to verify child attendance for the programs. Participants noted on sign in/out sheets for specific federal programs were also attending other federal programs during the same time.

Recommendation:

Contact hours submitted on federal request for reimbursement forms should match the hours shown on the child attendance reports. Management should review both sets of hours before submitting the request forms for reimbursements. Separate sign in/out sheets should be used for separate federal programs. Participants involved in more than one program should sign out of one program and sign in to a separate program during the day.

BeauCARE, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2007

Schedule 3

Audit Finding No. 2007-16

Inadequate supporting documentation to allocate between federal programs.

In some cases supporting documentation did not provide adequate detail to determine how the federal program expense was allocated between various federal programs.

Recommendation:

I recommend that supporting documents used to verify federal expenses contain adequate documentation that clearly defines which federal program the expense has been allocated.

BeauCARE, Inc.
Schedule of Management's Response
Year Ended December 31, 2007

Schedule 4

The Schedule of Management's Response for the year ended December 31, 2007 follows.



BeauCARE

628 High School Drive / P. O. Box 1779 / DeRidder, LA 70634
(337) 462-CARE (fax) 462-2268 www.beucare.org



The Ultimate Agency Advantage



Schedule 4

"Assisting children, families and communities in connecting to programs and resources that will improve their quality of life."

November 5, 2008

Mr. Steve J. Theriot, CPA
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

We have recently had our annual audit completed as of December 31, 2007. Below are our responses to the findings and comments discovered during the audit.

Audit Finding 2007-1

Year end bank statement not reconciled.

Response: In order to prevent unauthorized changes in the accounting system, passwords have been updated and issued only to those that have a need to access bank account reconciliation information. Furthermore, bank reconciliations are being reviewed by the Executive Director or an individual other than the one performing the monthly reconciliation.

Audit Finding 2007-2

GAAP basis financial statements not presented timely to the auditor.

Response: Financial statements are now being kept on the accrual basis of accounting and will be reviewed annually by an independent CPA. Access to financial statements and passwords have been limited only to those personnel that prepare and work on these statements.

Audit Finding 2007-3

Receipts missing out of receipt books.

Response: Controls have been implemented to protect records of original entry. Receipts are now done in triplicate, with one going to the client, one going to the finance department, and one remaining in the receipt book. Receipts books are being checked for accuracy by the Finance Director or a person independent of entry into these books. All financial records are secured in a locked cabinet and only accessible to finance personnel.

Audit Finding 2007-4

Financial documents retention.

Response: All financial records and supporting documents are retained in a locked cabinet. These documents are reviewed and filed by finance personnel other than the one who prepared the document for payment.

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The Ultimate Agency Advantage



Schedule 4

"Assisting children, families and communities in connecting to programs and resources that will improve their quality of life."

Audit Finding 2007-5

Overstated swim fee revenue and expense.

Response: New control measures will be implemented for monies accrued at the pool prior to the summer 2009 season. Swim fees that have not been collected or paid will not be recorded as revenues or expenses in the financial statements.

Audit Finding 2007-6

Lack of internal control.

Response: Internal controls were previously overridden by the Executive Director, who has been terminated. New management will ensure that all internal controls documented in the agency's policy and procedure manual and the financial policy and procedure manual are implemented and followed by all personnel.

Audit Finding 2007-7

Fixed asset listing not maintained.

Response: **BeauCARE** will conduct an inventory of all fixed assets. All fixed assets will be logged and tagged then assigned the appropriate department head. All assets will be accounted for annually.

Purchase orders not being used.

Response: Purchase order requirements were previously being overridden by the Executive Director, who has been terminated. All personnel are now required to abide by the purchase order procedures as documented in the financial policy and procedures.

Audit Finding 2007-9

Noncompliance with Louisiana Audit Law.

Response: By following newly implemented procedures, the Finance Department of **BeauCARE** will ensure that all financial statements are accurately prepared and submitted in a timely fashion to the auditor.

Audit Finding 2007-10

Noncompliance with Louisiana Bid Law.

Response: **BeauCARE** will comply with the Louisiana Bid Law by ensuring that all future purchases adhere to the specifications of the law.

Audit Finding 2007-11

Violation of employment policy.

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The Ultimate Agency Advantage



"Assisting children, families and communities in connecting to programs and resources that will improve their quality of life."

Response: The Board of Directors and the new management of **BeauCARE** will ensure that all policies and procedures of the agency are adhered to. Furthermore, the Board of Directors will review the manual annually and all employees will be advised of all changed made to the manual.

Audit Finding 2007-12

IRS 1099's not issued for Independent contractors.

Response: The Finance Department of **BeauCARE** will track all independent contractor services to and furnish 1099's as required by the IRS.

Audit Finding 2007-13

Time sheets not accurate or approved.

Response: The Finance Department of **BeauCARE** will develop a method of tracking and dividing employee's time between different federal programs. Furthermore, the new management of **BeauCARE** will ensure that all timesheets and payrolls are approved accordingly.

Audit Finding 2007-14

Missing supporting documentation and lack of document approval.

Response: Internal controls will be developed and implemented to ensure that supporting documents used to verify federal expenses is adequately retained and approval is visible.

Audit Finding 2007-15

Sign-in/Sign-out sheets not matching claim forms or accurately dividing participants between programs.

Response: The new management of **BeauCARE** will ensure that separate sign-in/sign-out sheets are being for each program. Program managers will review and approve the sheets and claim forms to ensure accuracy before being submitted for reimbursement.

Audit Finding 2007-16

Inadequate supporting documentation to allocate between federal programs.

Response: The new management of **BeauCARE** will develop and implement procedures to ensure that supporting documentation used to verify federal expenses is retained, is adequate and that it clearly defines the allowable allocation to the appropriate federal program.

Please do not hesitate to call me if you have any questions or concerns about the above findings or responses.

Thank you,

Amanda Smith
Interim Executive Director
BeauCARE, Inc.

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